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Of the developments reported this week, D/LA finds of particular interest that regarding attempts by Mexican Communists to obtain management positions in the oil industry (p. 2).

#### CURRENT DEVELOPMENTS

GENERAL: The ratification of the Rio treaty by Bolivia now leaves only three Latin American countries which have not yet ratified that treaty (p. 2).

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CENTRAL AREA: In Ecuador, the lack of effective counter-propaganda has increased the success of the Communist "peace" campaign (p. 3).

SOUTHERN AREA: Bolivia's government is beset by internal dissension (p. 3).

#### SPECIAL SUBJECTS

The Current Situation in Guatemala . . . . . 4

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DOCUMENT NO. 36  
NO CHANGE IN CLASS. L  
1) DECLASSIFIED  
CLASS. CHANGED TO: TS S  
NEXT REVIEW DATE: 01/89  
AUTH: HR 70-2  
DATE 10-16-77 REVIEWER:

25X1

State Dept. review completed

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1. GENERAL: Bolivia Ratifies Rio Treaty

The Korean crisis, which hastened ratification of the Rio treaty by Argentina ☐ Wkly, 5 Jul 50) has apparently stimulated similar action by Bolivia — the Bolivian Congress having ratified the treaty on 24 August. All of the three Latin American countries which have not ratified this treaty are expected to do so soon; Ecuador and Guatemala will probably take action during the current sessions of their congresses, and Peru also may act soon now that Odría is "legally elected" president.

4. NICARAGUA: Unfavorable Reaction to US Senate Move

Nicaraguan official circles have been vexed by the US Senate action eliminating from the Federal Aid Road Bill an appropriation to permit completion of the Rama Road — a highway connecting the Nicaraguan western highland area and its road network with a potential Atlantic port for shallow draft ocean vessels. President Somoza regards continued US support for the road as a contractual

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obligation based on an alleged personal agreement with President Franklin D. Roosevelt; other officials considered failure to grant aid at this time a "direct slap" at Nicaragua, which has generally (as in the Korean matter) offered prompt and wholehearted support to the US.

Although the Senate's action has eliminated a potential source of dollar exchange and will delay the development of a possible Atlantic outlet for coffee shipments, it probably has not injured US military or commercial interests nor will it prevent future cooperation between the two countries on matters of mutual concern.

5. Ecuador: Lack of Effective Counter-Propaganda Increases Success of Peace Campaign

The success of the Committee for Peace in collecting signatures for the Stockholm peace petition seems to have been due mainly to the fact that the signers are unaware of its Communist origins and implications, since most of the signers are persons who would under no circumstances back a Communist move. The 18,000 signatures already collected in Ecuador include, for example, those of government officials, political party leaders, and even members of the Catholic clergy. [redacted] among the people signing are five cabinet ministers and Ruperto Alarcón, Director-General of the Conservative Party and newly elected President of the Chamber of Deputies, [redacted] the Committee for Peace will seek presentation of the petition in congress for legislative approval. Unless an effective counter-propaganda campaign is initiated soon, there is a chance (even though congress is presently seriously considering a bill outlawing the Communist Party) that the petition might actually be approved [redacted] Such a development would decidedly improve the morale of local Communist Party leaders and would furnish further grist for the Communist propaganda mill.

6. BOLIVIA: Resignations of Army Chief of Staff and National Police Director

The resignations of Army Chief of Staff Rios Rosel and National Police Director Vincenti, who have been engaged in a struggle for power, highlights the current lack of solidarity within the army and within the government [redacted] Wkly, 18 Jul 50). While intra-governmental squabbles are not new to Bolivia, the continuance of severe dissension within the army and within the administration at a time when student and labor unrest has reached serious proportions makes the government extremely vulnerable to subversive activities of various opposition groups.

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The Current Situation in Guatemala

(Summary — The presidential campaign is now limited to a contest within the pro-administration ranks, with Arbenz remaining the strongest candidate. The economic situation is satisfactory. Communists have lost influence, have emerged into the open, and may face increasing opposition. Strengthening of the armed forces will counteract radical leftist strength. In international affairs, Guatemala is seeking to align itself with the US.

— Loss of Communist influence, strengthening of the military, support of the US in international affairs, and the possibility that presidential candidates will be desirous of obtaining moderate or conservative votes all favor US security interests.)

Political

Current political developments are conditioned by the approaching November presidential elections. Suppression of anti-administration elements, following recent disturbances, has reduced the campaign to a contest between pro-administration ("Arevalista") candidates only. General Ydigoras Fuentes and Colonel Miguel Mendoza, both opposition candidates, are now in hiding and the National Electoral Board has taken steps to cancel the registration of five opposition parties.

Although Lt. Col. Arbenz, candidate of the leftist Partido Acción Revolucionaria, remains the strongest contender for the presidency, he faces certain unfavorable developments in his campaign. For example, the more moderate Arevalista candidates (Giordani and Garcia Granados) are now in a position to obtain anti-Arbenz opposition votes which would have gone to Ydigoras Fuentes or Mendoza; also, some of the militant labor groups supporting Arbenz have been partially disarmed, and possible internal disunity may reduce labor's political importance. It is quite possible, moreover, that the congressional appointment to the three-man National Electoral Board will give the balance of power to an anti-Arbenz majority. Finally, efforts to strengthen the armed forces   Wkly, 29 Aug 50) suggest that the administration is seeking to counteract, or neutralize, the strength of the militant leftist groups to which Arbenz still looks for support.

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Although recent political developments have eliminated the conservative opposition candidates from the presidential race, it is believed that they have also weakened the influence and capabilities of the radical leftists, whose candidate is Lt. Col. Arbenz. The moderate Arevalista candidates, however, are in a position to gain support — a development which would favor US interests. It is also possible that Arbenz may repudiate his leftist supporters in a bid for more moderate or conservative support.

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Economic

Recent months have seen a rather satisfactory level of economic activity, an absence of serious labor trouble, and relatively few evidences of serious governmental financial difficulties. It is now clear that the 1949-50 coffee crop suffered very little damage from the highly publicized storms of October 1949. The main corn crop, now being harvested, is larger than usual. Although it is true that banana exports are down considerably over last year, the projected shut-down of the United Fruit Company's Atlantic Coast plantations was not carried out, a collective labor contract with the local union has been signed, and the company has withdrawn its petition for permission to discharge 1500 workers — an action which would have had serious local economic repercussions. Prospects in the chicle industry have improved since the Wrigley Company has agreed to buy all accumulated chicle stocks.

No serious labor troubles have developed in recent months. However, the government's arbitrary attitude towards business — whether US or Guatemalan owned — has again been demonstrated in its threat (not yet carried out) to levy fines on all businesses which refused to remain open during recent street disturbances.

There have been few evidences of serious financial difficulties in recent months, although foreign exchange reserves continue to drop. The government budget for 1950-51 assumes increased governmental revenues and allows for generally increased expenditures compared to those planned in the original 1949 budget.

Settlement of the United Fruit labor contract, the revival of the chicle trade, the relative absence of labor disputes, and the rather satisfactory level of economic activity tend to favor US interests.

Subversive

In recent months, Communists have lost some of their influence in politics, have had their labor leadership challenged, and have possibly been deprived of some of their weapons. In response to growing anti-Communist sentiment, they have adopted a strategy of consolidating their forces, of dispensing with camouflage, and emphasizing their identification with the international Communist line.

In June, a number of Communists resigned from the leftist Partido Acción Revolucionaria (PAR) and quickly formed an overt, indubitably Communist, party of their own — the Partido Revolucionario de Obreros Guatemaltecos. Soon after, Communist intellectuals began publication of Octubre, a Communist newspaper complete with red ink and hammer and sickle and devoted to publicizing the Stockholm petition, attacking the "Truman Plan" (Point IV), and otherwise presenting the Communist line. Immediately following the publication of Octubre, three members of its staff lost

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influential governmental positions: Alfredo Guerra Borges was discharged as editor of the official Diario de Centro America, Mario Silva Jonana was discharged as propaganda chief of the government radio station, and Jose Manuel Fortuny was unseated as a member of the National Electoral Board. Octubre itself, though not suppressed, has suspended publication indefinitely because of general restrictions on the press instituted during the recent disturbances. In labor, Communists have not been forced out of their positions of leadership in the two strongest unions, the Confederación de Trabajadores de Guatemala (CTG) and the Federación Sindical de Guatemala (FSG). The PAR (Arbenz' political party) is backing a new agricultural labor union in competition with the CTG, and the government has seized arms belonging to the CTG and the FSG. Moreover, although Communist-directed labor groups were allowed to demonstrate their support of the government during the recent disturbances, there is some evidence that they were restrained from violence after their initial encounter with the opposition and that a Communist-led labor rally was fired on by both police and well-armed civilians.

Although at the moment the Communists continue to be aligned with, and accepted by, the strongest presidential candidate (Col. Arbenz), further developments adverse to their interests may be expected because of the growing opposition.

Military

After a long period of administrative neglect, during which the morale and equipment of the armed forces have deteriorated, these services have suddenly entered into negotiations for the purchase of arms   Wkly, (29 Aug 50). The general availability of funds and the emphasis on immediate delivery suggest that the armed forces have the backing of President Arévalo and are preparing to take a more active role in national affairs. It is not clear whether strengthening of the armed forces will or will not benefit Lt. Col. Arbenz in his presidential campaign. However, it is believed that a strengthened army and air force will tend to counteract the strength of radical leftist elements in Guatemala and will, in this way, benefit US security interests.

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International

Recent developments suggest a desire on the part of the Guatemalan government to align itself with the US in international affairs, though it continues to repudiate governments founded upon military force. During Assistant Secretary of State Miller's visit to Guatemala, President Arévalo assured him of Guatemala's support of the US and its willingness and ability to purge the Communists in event of a crisis. The Guatemalan government officially supported the UN decision on Korea and later instructed Army Chief Paz Tejada to discuss with the US the possibility of direct Guatemalan aid. The administration has also urged the prompt congressional ratification of the Rio treaty, and has defended the treaty against Communist attacks.

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Finally, the recent appointment of Ricardo Castaneda Paganini as UN delegate suggests a pro-US policy.

The government continues to be opposed to military dictatorships, though it has apparently ceased indirect aid to Caribbean revolutionaries. It has continued to repudiate Franco Spain, and has recently cooperated with the International Refugee Organization by authorizing the entry for permanent residence of sixty Spanish Republican refugees. In a move as much political as economic, a 100 percent surcharge was recently placed on imports from certain countries (Nationalist China, Spain, the Dominican Republic, and Peru) which have military governments. A developing tolerance, however, may be indicated by the government's decision to send a delegation to the inauguration of conservative president-elect Gomez of Colombia.

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